



2 of the Top-Growing Stocks on Earth

Description

The stock market [continues to remain volatile](#), as investors are concerned about a wide range of macroeconomic challenges. Growth stocks have been hit hard, with some of them shedding over 90% of their market value compared to their record highs.

Maybe it's time to zoom out and look at the broader picture. Historically, bear markets come to an end, and equities touch new highs once investor sentiment improves. So, the ongoing pullback offers investors an opportunity to buy quality growth stocks at a discount.

Here are two such stocks in **Snowflake** ([NYSE:SNOW](#)) and **Lucid Motors** ([NASDAQ:LCID](#)) that can derive outsized gains for investors over the long term. The two companies are U.S. based and hence provide portfolio diversification to Canadian investors.

The bull case for Snowflake stock

Snowflake is a cloud-based data analytics platform valued at US\$58.5 billion by [market cap](#). The stock is also part of Warren Buffett's **Berkshire Hathaway** portfolio. Snowflake's stock price is down over 54% from all-time highs but continues to trade at a premium.

For example, analysts expect Snowflake to increase sales by 70% to US\$2.07 billion in fiscal 2023 (ending in January). So, SNOW stock is valued at 28.3 times forward sales. Its adjusted earnings for the current fiscal are forecast at US\$0.16 per share, valuing the company at more than 1,000 times forward earnings.

But growth stocks command a premium. Snowflake is among the hottest tech stocks on the planet, as it has increased sales from US\$96.6 million in fiscal 2019 to US\$1.21 billion in fiscal 2022, indicating annual growth rates of 132.7% in this period.

While its revenue growth has decelerated, Snowflake still increased sales by 83% year over year in the second quarter of fiscal 2023 to US\$497 million.

Snowflake generates revenue from two segments that include product and professional services. While product revenue is a high-margin segment, professional services revenue is non-recurring in nature. In the second quarter (Q2), product sales stood at US\$466 million, up 83% from the year-ago period.

A key metric for SaaS (Software-as-a-Service) companies such as Snowflake is the net retention rate, which stood at 171% in Q2. It suggests existing customers increased spending on the Snowflake platform by 71% in the last 12 months.

Snowflake has forecast its total addressable market at US\$248 billion by 2026, providing the company with plenty of room to grow its top line. SNOW stock is currently trading at a discount of over 20% to consensus price target estimates.

The bull case for Lucid Motors stock

An electric vehicle (EV) manufacturer, Lucid Group's stock is down 73% from all-time highs. In 2022, Lucid is wrestling with an inflationary environment and supply chain shortages, which is likely to impact both revenue and profit margins negatively in the near term.

However, Lucid has an enviable lineup of EVs. For example, the Lucid Air, which is a luxury sedan, has a travel range of 520 miles on a single charge, 100 miles more than **Tesla's** Model S Long Range.

Lucid began shipping EVs in Q4 of 2021, and the company reported sales of US\$27 million last year. Analysts expect sales to rise by 2,700% to US\$758 million in 2022 and by 283% to US\$2.9 billion in 2023. So, LCID stock is priced at nine times 2023 sales, which, again, is quite steep.

Due to supply chain challenges, Lucid lowered its EV shipments to between 6,000 and 7,000 vehicles in 2022 — well below its initial forecast of 20,000 vehicles. However, it ended Q2 with 37,000 reservations, which could generate around US\$3.5 billion in sales.

LCID stock is currently trading at a discount of 60% to consensus price target estimates.

CATEGORY

1. Investing
2. Tech Stocks

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2. NYSE:SNOW (Snowflake Inc.)

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